Intelligent Investment

Investing in China's Modern Manufacturing Plants

REPORT

CBRE Research
November 2025

China's Manufacturing Transformation and Upgrading

The world's largest manufacturing base is upgrading

This year marks the final phase of "Made in China 2025"; a state-led industrial strategy launched in 2015 to transform China from a manufacturer of low-cost goods into a global leader in high-tech manufacturing and innovation.

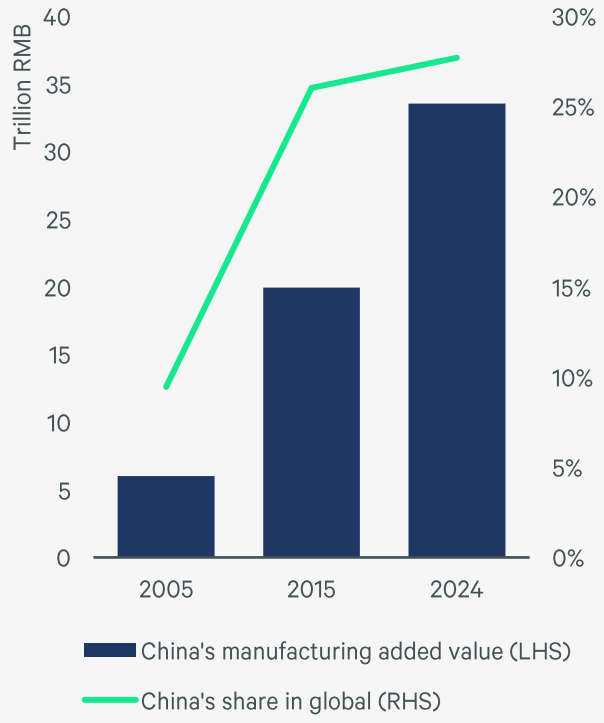
Progress towards achieving this goal has been rapid, with data from the National Bureau of Statistics showing that between 2015 and 2024, China's manufacturing value-added grew at an annual rate of 6%. Calculated at current dollar prices, China's share of global manufacturing value-added rose from 25.9% in 2015 to 27.7% in 2024.

China now stands as the world's largest manufacturing nation. With 41 major industrial categories, 207 medium-level industrial categories, and 666 minor industrial categories, China is the only country in the world to possess all industrial categories listed in the United Nations Industrial Classification.

The country continues to pursue industrial upgrading. From 2015 to 2024, the share of high-tech manufacturing in the national industrial output value of enterprises above designated size rose from 11.8% to 16.3%. In the first half of this year, the output value of high-tech manufacturing enterprises above designated size grew by 9.5% y-o-y.

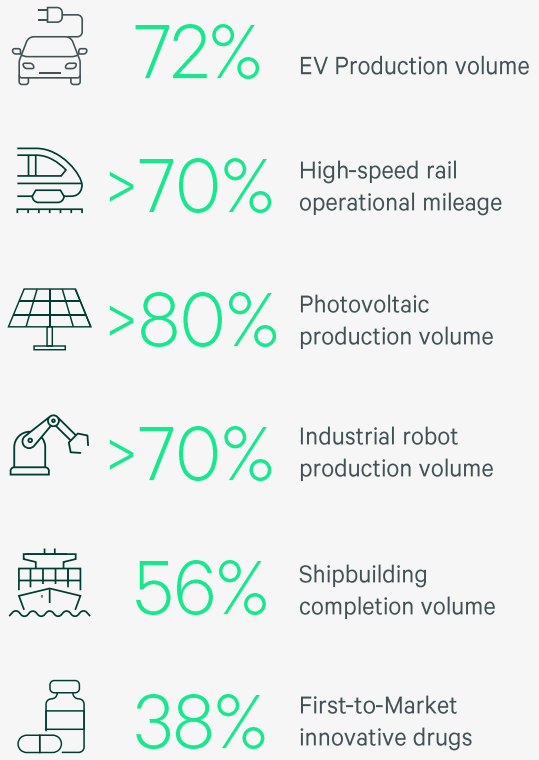
In manufacturing sectors such as electric vehicles, shipbuilding, high-speed rail, and biopharmaceuticals, China has already taken a leading position globally. The country has also achieved breakthrough progress in areas such as integrated circuits and industrial robots.

Figure 1: China's Share of Global Manufacturing Added Value



Source: National Bureau of Statistics, CBRE Research, November 2025

Figure 2: China's Share of Global High-Tech Manufacturing in 2024



Three key attributes of modern manufacturing plant attracting C-REITs

Since 2022, China's economy has faced the challenges of structural transformation, cyclical fluctuation, and ongoing external uncertainty. Consequently, the operational performance and asset valuations of public C-REITs has experienced amplified volatility, leading to the emergence of divergent trends.

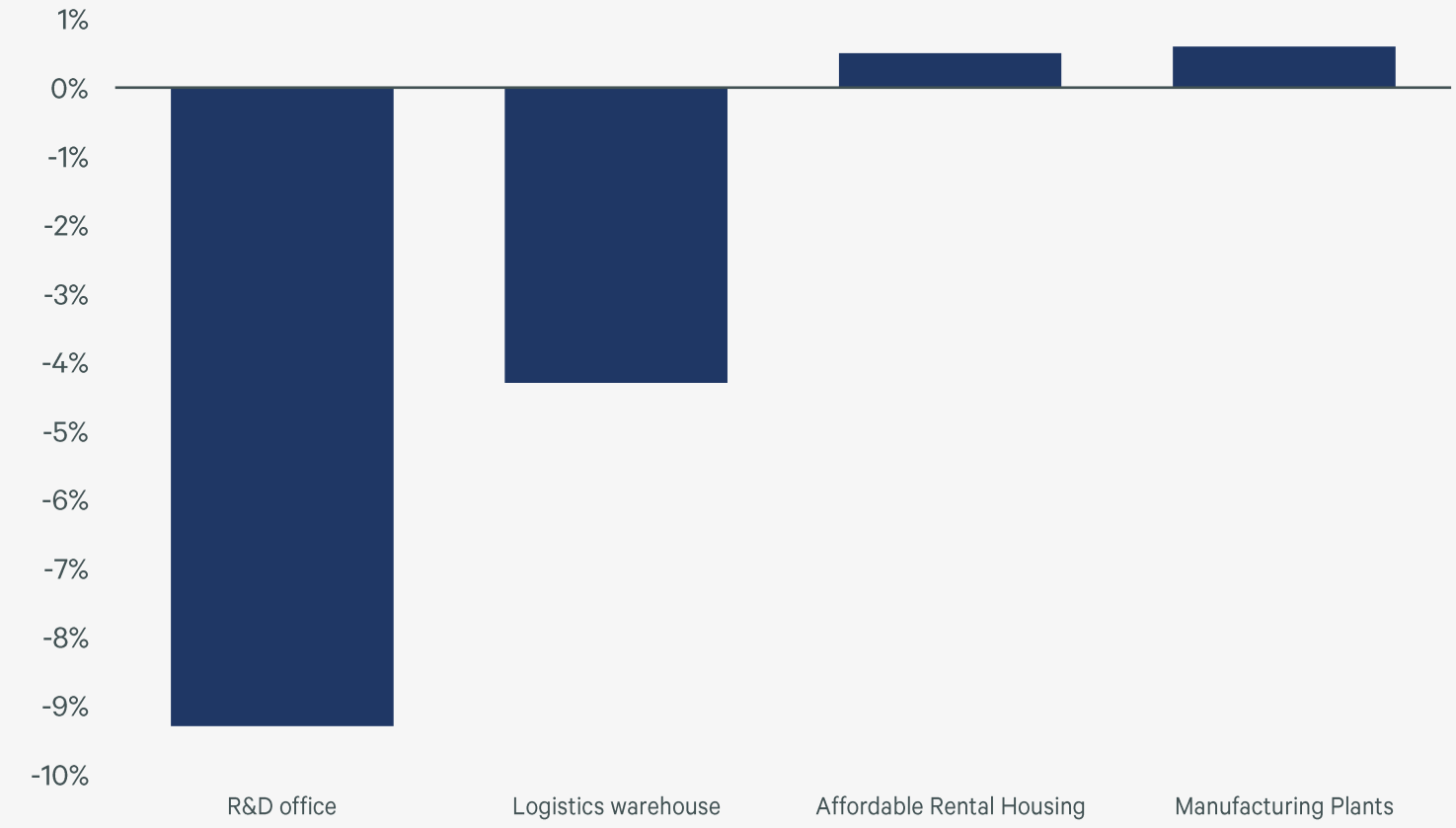
During 2022-2024, C-REITs eschewed R&D offices and warehouse logistics properties in favour of modern manufacturing plants, which maintained stable asset valuations and attracted increasing investor attention. CBRE believes the enhanced resilience demonstrated by modern manufacturing plants primarily stems from three key characteristics:

1. Ability to attract tenants from high-growth industries;

2. Stable and secure lease agreements;

3. Relatively diversified tenant structure

Figure 3: Changes in Underlying Asset Valuations for C-REITs from 2022 to 2024



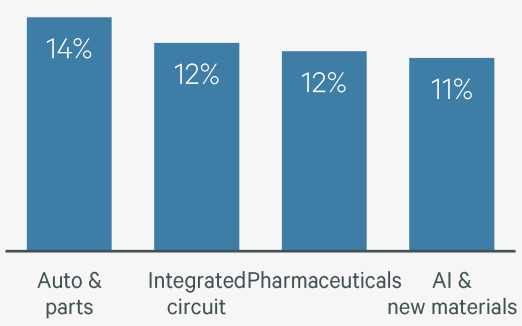
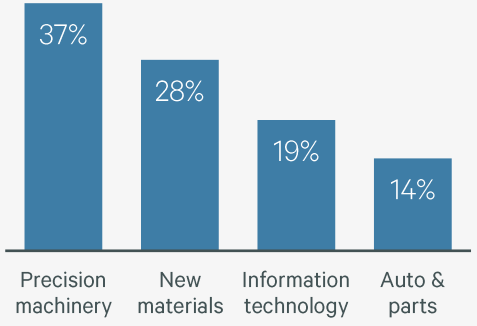
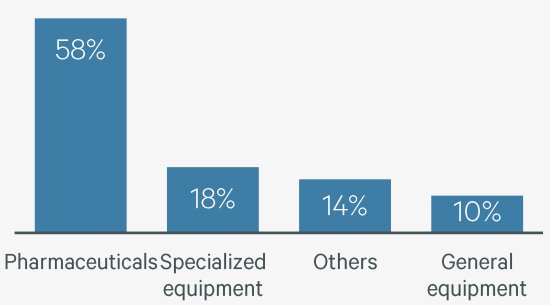
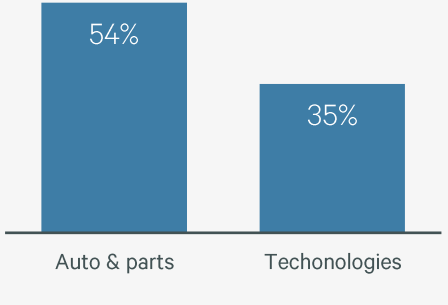
Source: REITs annual asset valuation reports, CBRE Research, November 2025

Tenants from high-growth industries: clusters of advanced manufacturing

Information disclosed by the four listed modern manufacturing plant C-REITs shows the composition of their tenants is highly concentrated in strategic emerging industries and high-tech manufacturing sectors such as automotive, biopharmaceuticals, new materials, information technology, and equipment manufacturing.

These industries represent China's manufacturing upgrading and transformation and continue to receive strong support from national and local governments. Their high growth potential and high added-value characteristics help modern manufacturing plant better withstand risks during economic fluctuations.

Figure 4: Tenant Profiles of Modern Manufacturing Plant C-REITs

REIT Name	Lingang Innovation Industrial Park REIT	Dongjiu New Economic Industrial Park	Liandong Science & Technology Innovation Industrial Zone	Yizhuang Industrial Zone
Location of underlying assets	Shanghai	Shanghai, Kunshan, Wuxi, Changzhou, Nantong, Chongqing	Beijing	Beijing
Number of tenant	73	60	126	12
Net leasable areas	216,584 sq. m.	382,063 sq. m.	194,399 sq. m.	122,897 sq. m.
Industrial categories[1]				

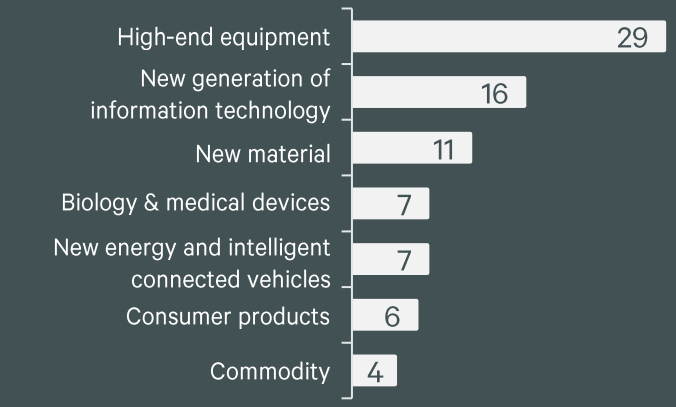
Note 1: Lingang Innovation Industrial Park REIT and Dongjiu New Economic Industrial Park are based on Q3 reports, Liandong Science & Technology Innovation Industrial Zone and Yizhuang Industrial Zone are based on IPO reports.

Source: Quarterly reports, IPO reports, CBRE Research, November 2025

Forming national advanced manufacturing clusters

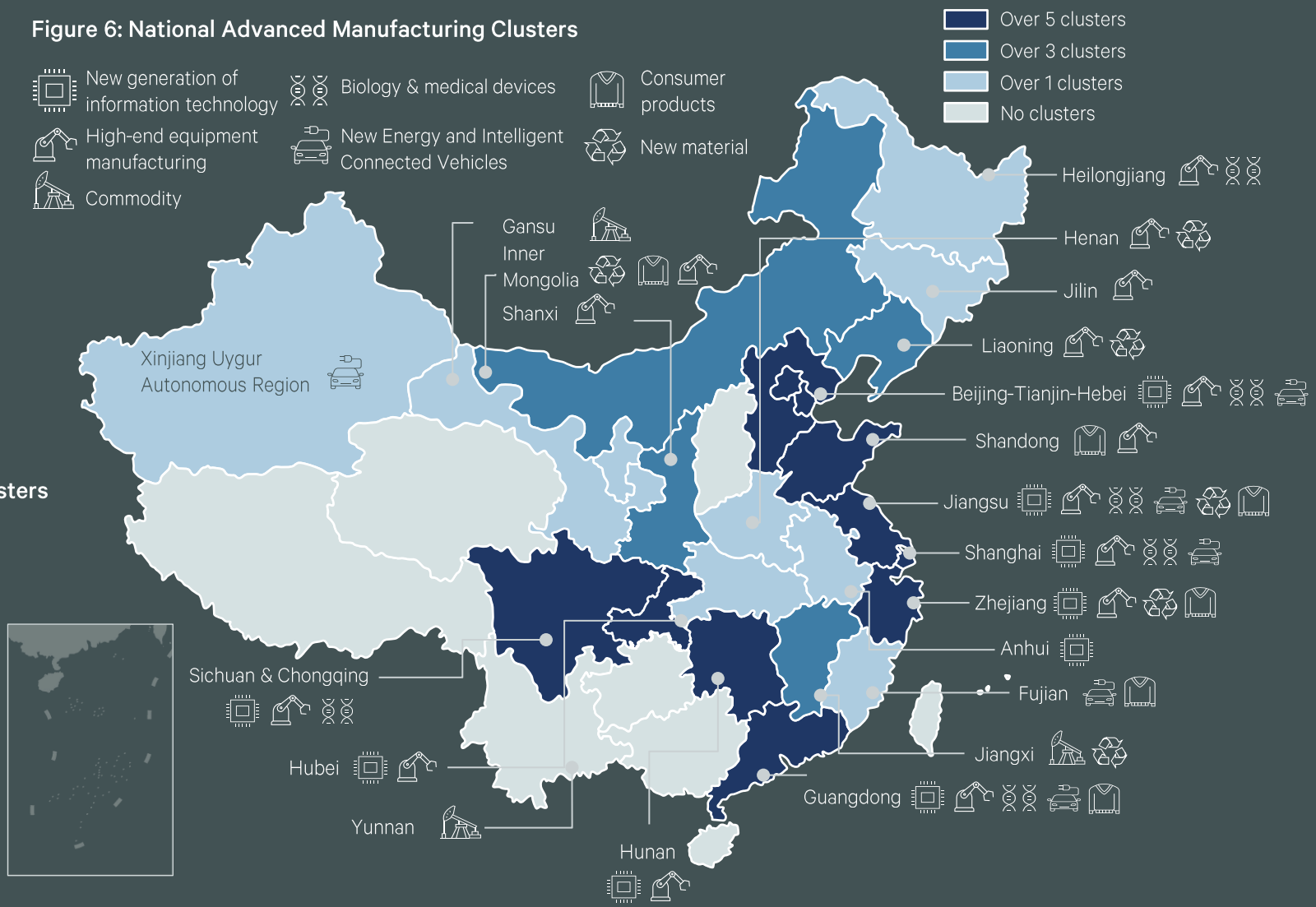
The Ministry of Industry and Information Technology announced a total of 80 advanced manufacturing clusters during 2022 and 2024, covering key industries such as high-end equipment manufacturing, next-generation information technology, biopharmaceuticals, and new energy vehicles. Geographically, the Yangtze River Delta (29 clusters), Beijing-Tianjin-Hebei region (17 clusters), and Pearl River Delta (eight clusters) represent the areas with the highest concentration of advanced manufacturing clusters. These regions also exhibit the strongest demand for high-standard factory buildings and the greatest growth potential.

Figure 5: Categories of National Advanced Manufacturing Clusters



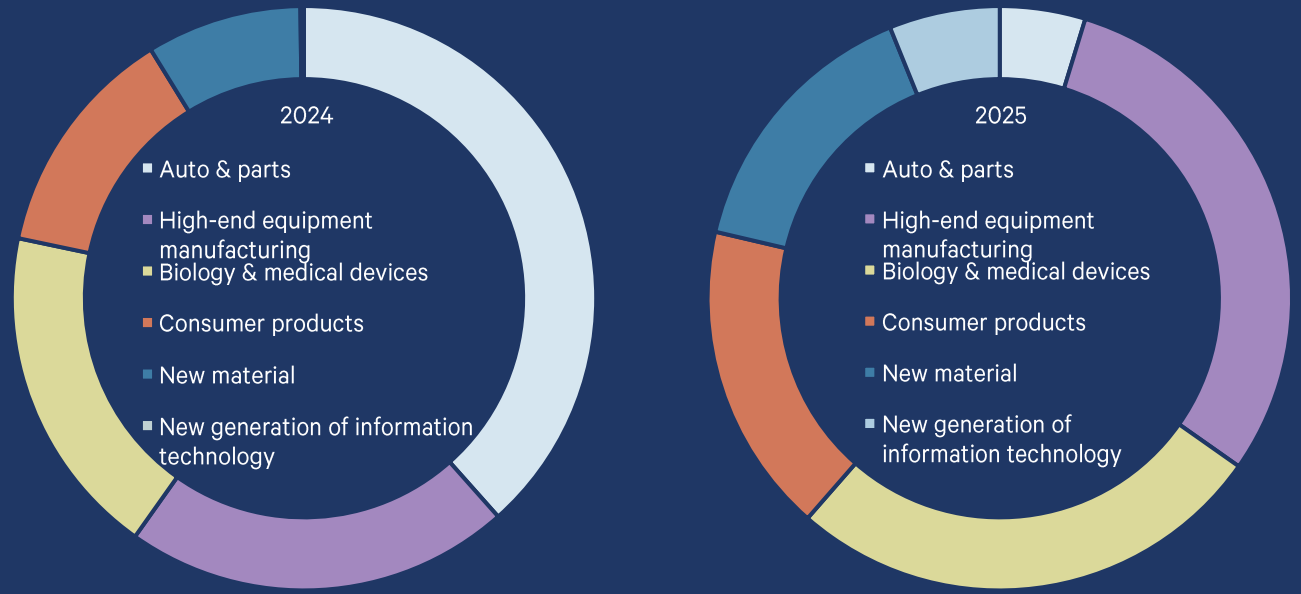
Source: www.gov.cn, CBRE Research, November 2025

Figure 6: National Advanced Manufacturing Clusters



CBRE has assisted numerous domestic and international advanced manufacturing enterprises in selecting sites for modern manufacturing plant over the past two years

Figure 7: CBRE Statistics on Manufacturing Plant Site Selection Commissioned by Clients Over the Past Two Years, Categorised by Industry



Source: CBRE Research, November 2025

Stable and secure lease agreements

Over the past two to three years, average occupancy in modern manufacturing plant C-REITs' portfolios has consistently remained above 95%, with rents holding largely stable. Modern manufacturing plants' stable operating cash flow is closely tied to their long lease terms and high lease renewal rates.

Long Lease Terms: Leases for modern manufacturing plant typically span three to five years, with medium-to-large tenants often securing terms exceeding five years. Public information shows that as of Q2 2025, the average remaining lease term for a modern manufacturing plant C-REIT's portfolio was 2.8 years, eclipsing that for warehouse logistics (2.0 years) and R&D office (2.1 years).

High Renewal Rates: Modern manufacturing plant tenants typically exhibit renewal rates exceeding 80%. This stems primarily from substantial renovation and equipment investment by manufacturing enterprises upon taking occupancy, coupled with stringent requirements for surrounding industrial infrastructure. Relocating production facilities therefore incurs significant relocation costs.

Figure 8: Average Remaining Lease Term Comparison for C-REITs

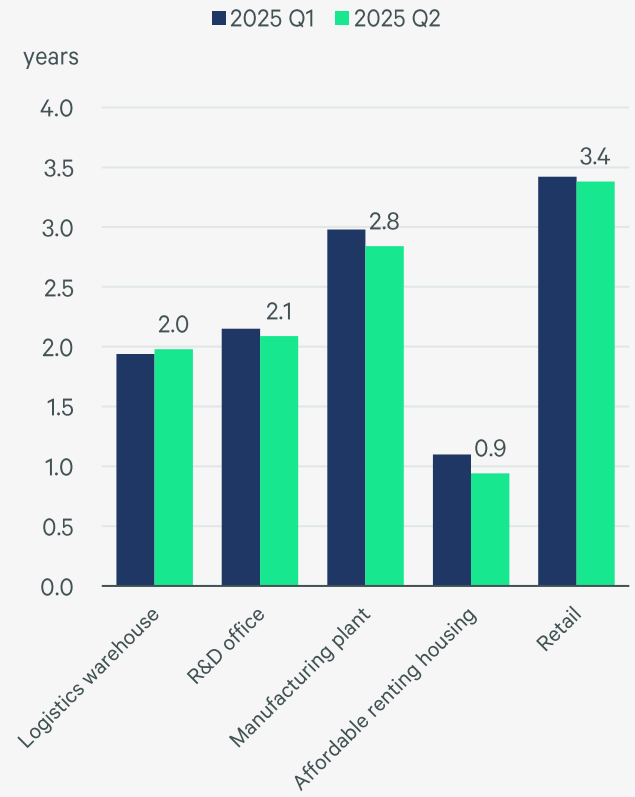
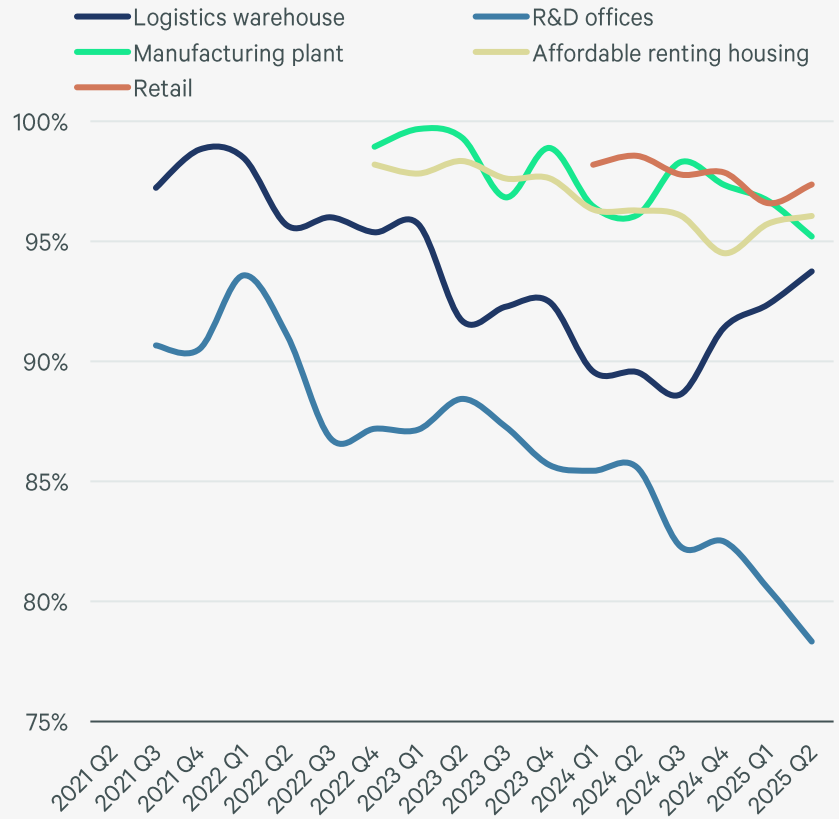


Figure 9: Occupancy Comparison for C-REITs



Source: REITs quarterly reports, CBRE Research, November 2025

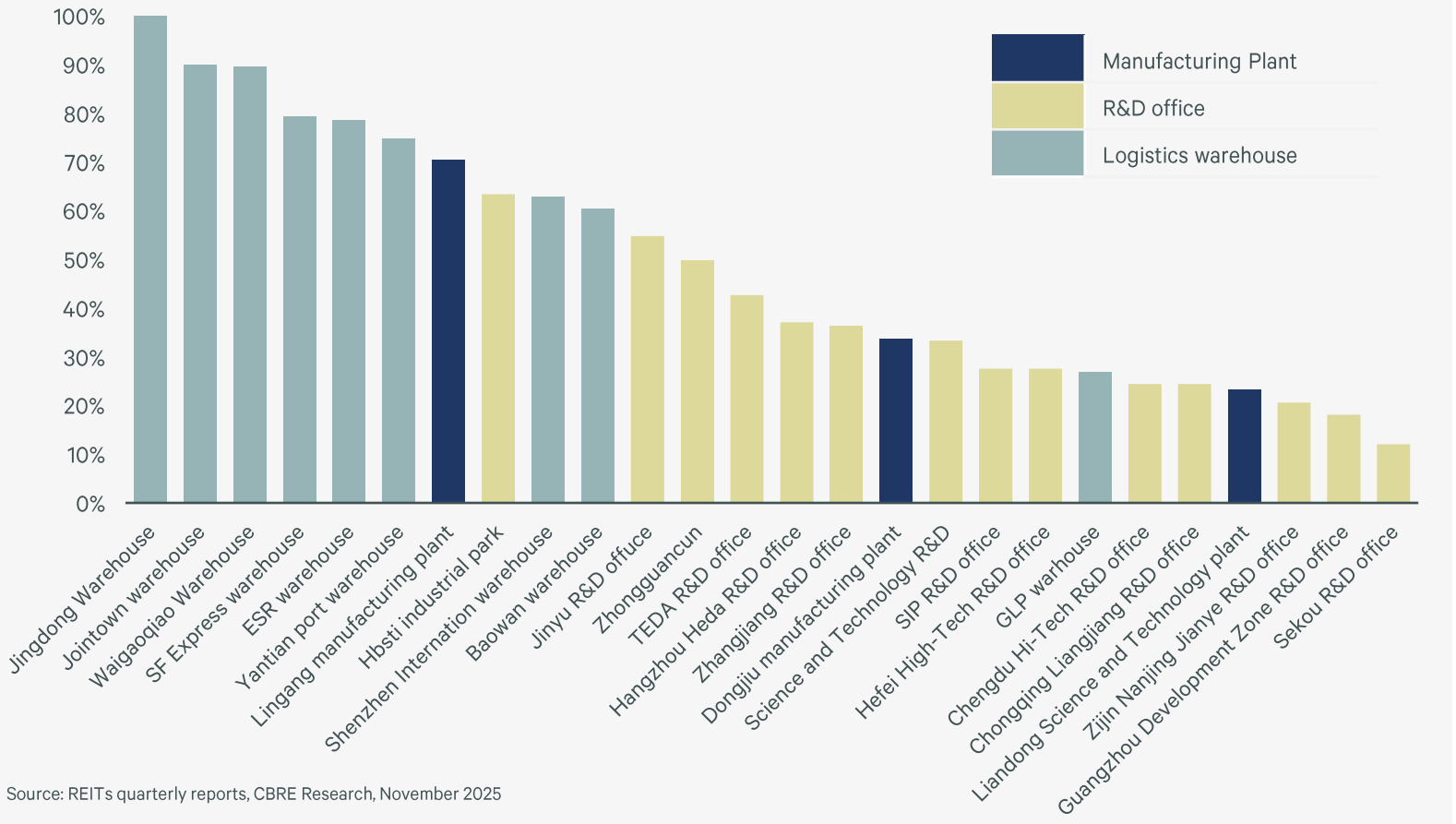
Relatively diversified tenant structure

The universality and efficiency of modern manufacturing plant, coupled with their ability to meet integrated production, R&D testing, and operational needs, aligns with the spatial requirements of small and medium-sized enterprises across diverse industries, resulting in relatively high tenant dispersion.

C-REIT data show that as of Q2 2025, the top five tenant concentration rates for Lingang Industrial Park (manufacturing plant), Dongjiu New Economy (manufacturing plant), and Liandong Sci-Tech Innovation (manufacturing plant) were 70%, 33%, and 23% respectively, resulting in an average of 42%. This exceeds the 34% average for R&D office C-REITs but remains significantly below the 70% concentration typical of warehouse logistics C-REITs.

In terms of average tenant space per unit, modern manufacturing plant C-REITs range between 1,000 and 6,000 sq. m., similarly positioned between warehouse logistics and R&D office park projects.

Figure 10: Top Five Tenants' Share of Rental Revenue for Industrial C-REITs in Q2 2025



Source: REITs quarterly reports, CBRE Research, November 2025

Attributes of Modern manufacturing plants

As the backbone of China's manufacturing industry, modern manufacturing plants are currently experiencing a transformative phase driven by industrial upgrading, industrial clustering, and intensive land utilisation. Enterprises' demands for production space are rapidly shifting from basic site requirements to modern manufacturing plants equipped with comprehensive supporting facilities and featuring efficient planning.

Modern manufacturing plants exhibit three key characteristics across architectural parameters, spatial adaptability, and asset operations. These are **industrial universality, land efficiency, and professional operations.**

What is modern manufacturing plant?

—Industrial Universality

- Highly standardised architecture and supporting facilities, with broad applicability across industries, featuring flexible spatial floors and partitioning for individual units.
- Primarily focused on catering to high-tech industries such as biopharmaceuticals, new energy, new materials, information technology, and equipment manufacturing.

—Land Efficiency

- Large-scale development rather than scattered small-scale plots. Land area typically exceeds 100 mu, with minimum requirements of 60 mu in tier I cities and select industrial hubs within the Yangtze River Delta and Greater Bay Area. Generally combining single-storey and multi-storey buildings to provide intensive, multi-functional spaces encompassing production, R&D testing, and operations. Some parks offer supporting facilities such as catering and accommodation.

—Professional Operations

- Comprehensive supporting services including industrial investment promotion, leasing operations, and property management are provided by local government park platform companies and specialised property development and operation agencies.

Specifications of modern manufacturing plants[2]

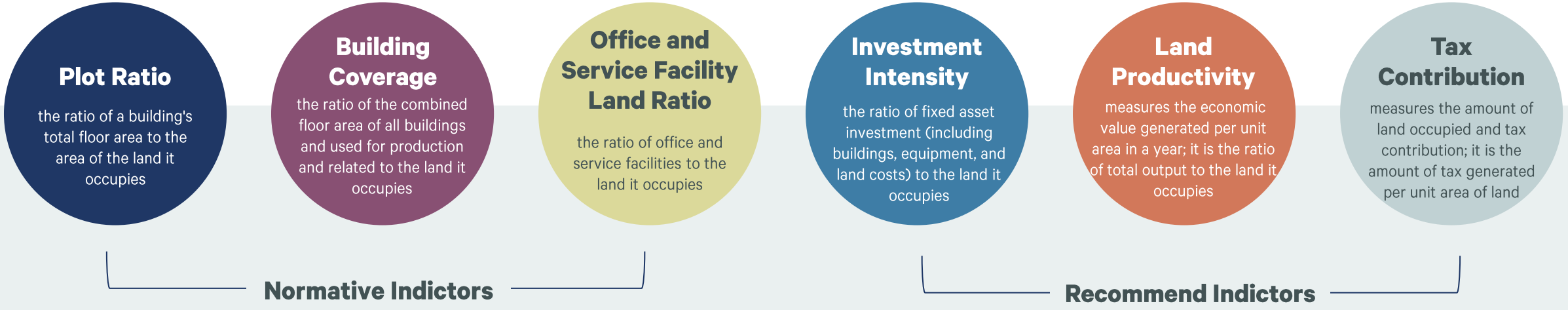
	Modern Manufacturing Plant; Single Story	Modern Manufacturing Plant – Multi Storey	Traditional Single-Storey Manufacturing Plant
Suitable for	Production and R&D		Manufacturing plants & facilities
Height	Production area: 8–11 m; Office area: 3–5 m.	1st floor: 7-12 m; 2nd floor and above: 4-7 m.	8-10 m.
Load bearing	Production area: 2–5 tons per sq. m.; Office area: 0.2–0.5 tons per sq. m.	1st floor: 1–5 tons per sq. m.; 2nd floor and above: 0.5–3 tons per sq. m.	1 – 5 tons per sq. m.
Column Grid	Above 9 m. × Above 25 m.	Above 8 m. × Above 8 m.	Below 9 m.× below 18 m.
Structure	Mostly steel concrete structures	Mostly steel concrete structures	Mostly light steel structures
Single-building floor area	3,000-10,000 sq. m.	2,000-8,000 sq. m.	3,000-10,000sq .m.
Minimum lease area	1,500 sq. m.	500 sq. m.	1,500 sq. m.
Fire Safety	Class D or Class C, Grade 2, with sprinkler system		Class D
Fit-out	Provide fit-out or renovation services for occupiers	Provide fit-out or renovation services for occupiers, with elevators	Rough finished
Amenity	equipped furnished apartments, cafeteria dining, convenience stores, and other lifestyle amenities		N.A.
Entrance	Provide a separate entrance according to occupiers' requirements		Two entrances to accommodate the needs of dual-unit rentals
Types of occupiers	Different types of manufacturers	Production + R&D	Medium-to-large-scale manufacturers
Operation	Suitable for small and medium-sized enterprises, single buildings or single-floor or or shared occupancy is available		Suitable for large-scale manufacturing enterprises, primarily standalone buildings

Note: summarized from public information of REITs and CBRE practices. Source: CBRE Research, November 2025

Control indicators for industrial land

China's Ministry of Land and Resources has established control indicators for industrial land use, comprising both normative and recommended indicators. Normative indicators include plot ratio, building coverage, and the proportion of land allocated for administrative offices and service facilities. The Ministry establishes national control values, while provincial and municipal governments formulate local standards based on specific conditions. However, control values for plot ratio and building coverage are generally not lower than national standards, and the proportion of land for administrative offices and living service facilities should generally not exceed the national control indicators.

Recommended indicators include fixed asset investment intensity, land productivity, and land tax contribution. The Ministry of Natural Resources establishes national recommended values for fixed asset investment intensity based on different manufacturing classifications and industrial land grades. Local governments may reference and select all or part of these recommended indicators to establish control values for local implementation, considering local economic development levels and the input-output conditions of large, medium, and small enterprises. (For details, see "Control Indicators for Industrial Land Use," Ministry of Natural Resources, 2023)



Source: Control Indicators for Industrial Land Use by Ministry of Land and Resources, CBRE Research, November 2025

Conclusion

As China continues to vigorously pursue manufacturing transformation and upgrading, modern manufacturing plants featuring efficient planning, comprehensive industrial support facilities, and spaces tailored to the complex spatial demands of high-tech industries will continue to serve as indispensable infrastructure.

Following the successive listing of four modern manufacturing plant C-REITs since 2022, this emerging format of commercial real estate has drawn increasing investor attention. Benefiting from a tenant structure aligned with industrial upgrading, high tenant retention and long lease terms, along with tenant diversification, modern manufacturing plants have demonstrated resilience amid recent macroeconomic fluctuations and offer investors cash flow featuring stability with growth potential.

CBRE advises investors to target modern manufacturing plant located in regions with a high concentration of advanced manufacturing, such as the Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei, and Chengdu-Chongqing.

Unlike other commercial real estate asset types, investing in modern manufacturing plant requires a thorough understanding of local policies regarding industrial attraction, investment intensity, and land productivity, along with their impact on investment operations and exit strategies. Regarding investment strategies, CBRE recommends investors prioritise partnering with specialised developers possessing extensive industrial resources and leading operational capabilities to establish Pre-REIT funds. Opportunities involving sale-and-leaseback arrangements with high-quality tenants and stable leases should also be considered.

Attachment: rent range of modern manufacturing plants[3] in major cities

Tier 1 cities	Rent (Rmb, per sq. m. per day, including tax excluding management fee)
Beijing	1.0 – 2.5
Shanghai	0.9 – 2.0
Guangzhou	0.6 – 1.6
Shenzhen	1.2 – 2.0
Tier 2 cities	
Nanjing	0.6 - 1.2
Suzhou (includes Kunshan, Taicang, Changshu and Zhangjiagang	0.7 - 1.5
Wuxi (include Jiangyin)	0.8 - 1.2
Changzhou	0.6 - 0.9
Nantong	0.6 - 0.8
Hangzhou	0.6 - 1.7
Dongguan	0.6 –1.0
Foshan	0.6 –1.0
Tianjin	0.6 –1.0
Chengdu	0.6 –1.0
Chongqing	0.6 –0.8

Note: excluding multi-storey R&D projects. Source: CBRE Research, November 2025

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